

MARKETBEAT CLEVELAND

Office Q3 2023



	YoY Chg	12-Mo. Forecast
11.3% Vacancy Rate	▲	▲
-543K YTD Net Absorption, SF	▼	▼
\$19.74 Asking Rent, PSF	▼	▬

(Overall, All Property Classes)

ECONOMY: Negative Net Absorption, Minimal Rise in Rental Rates:

Cleveland's Office market had an overall net absorption number of -168,481 in Q3, meaning that a significantly higher amount of space was vacated by tenants in comparison to those moving into new spaces. The year-to-date total is still sitting in negative territory at -543,487 square feet (sf), even with lease activity increasing. Overall average asking rates are currently at \$19.74/sf across all submarkets, with Central Business District (CBD) rates coming in higher at \$20.37. Overall average asking rates increased by \$0.02 from Q2, in line with the thought of rates staying relatively flat moving into 2024. The overall office vacancy rate is sitting at 11.3% across all submarkets, this number is conservative and will likely continue rising as office tenants evaluate space needs. The trend continues to look as if tenants are shedding larger footprints to smaller, higher quality, and more collaborative work environments.

MARKET ACTIVITY: Leasing Activity Slightly Elevated, Incentives being utilized by Landlords:

Leasing activity for Q3 totaled 320,000 sf, slightly elevated from Q2 which was nearly 300,000 sf. The year-to-date total now sits at 1,077,308 sf. Downsizing is still weighing heavily on the Cleveland market as companies try to accommodate a new, more flexible work environment for their employees. In comparison to the past two years overall leasing activity has risen, however it is still 20% lower than pre-pandemic levels. Incentives such as tenant improvement allowances and free rent credits seem to be on the rise for tenants, as landlords struggle to fill vacant office space. Landlords are utilizing these incentives to grab tenants with the hope they will sign for longer term leases. A notable long-term lease for the quarter was in the midtown submarket at 6001 Euclid Avenue. Starting Point, a leading childcare and early education program, will be taking over 16,307 sf to utilize as their new Cuyahoga county headquarters. Nearly \$40M in sales volume was done in Q3, in comparison to \$62M in Q2. The rising cost of debt, and lenders continuing to question the stability of the office asset class has led to sales volume falling in comparison to the prior quarter. 28925 Fountain Parkway in Solon, MRI Software's current HQ, represented a major office sale for the Southeast submarket in Q3. This investment-sale totaled 100,000 sf and traded at \$5,747,620 or \$57.48 per square foot.

ECONOMIC INDICATORS Q3 2023

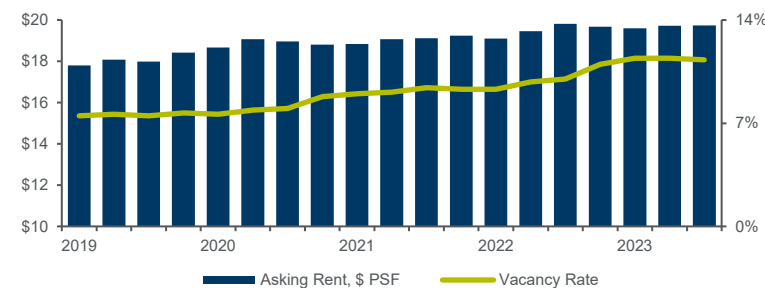
	YoY Chg	12-Mo. Forecast
1.06M Cleveland Employment	▲	▲
3.6% Cleveland Unemployment Rate	▼	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD	24,881,330	243,786	2,908,838	12.7%	-81,225	-299,668	243,378	1,003,000	\$20.37	\$21.22
Akron	14,380,006	279,331	1,188,272	10.2%	-8,231	-114,448	178,512	69,463	\$20.29	\$22.60
Chagrin, East & Lander	8,143,641	39,911	937,361	12.0%	45,436	-3,199	107,086	23,846	\$23.15	\$24.34
Stark County	6,283,246	13,941	517,834	8.5%	60,179	-9,830	49,109	-	\$16.61	\$20.78
Rockside & South	6,765,589	109,801	1,316,269	21.1%	-145,326	-169,230	171,693	725,000	\$19.38	\$21.63
West	6,014,778	257,578	604,973	14.3%	-70,701	-29,565	87,118	61,900	\$17.98	\$19.65
Southwest	5,128,035	9,407	532,424	10.6%	18,973	-33,688	51,222	17,600	\$15.99	\$15.99
Northeast & Lake County	4,023,384	5,652	237,830	6.1%	-29,345	57,486	25,972	-	\$15.69	\$15.69
Midtown	4,116,028	-	236,648	5.7%	19,813	26,427	21,038	50,000	\$22.02	\$24.86
Lorain County	2,485,624	-	103,696	4.2%	3,800	-29,404	25,578	-	\$23.16	\$23.16
Fairlawn & Montrose	2,930,114	45,372	300,663	11.8%	-22,906	-8,366	40,369	-	\$20.17	\$22.02
Portage & Geauga	2,020,429	-	88,505	4.4%	-93	1,189	9,984	135,645	\$19.01	\$19.01
Southeast	1,957,068	8,338	211,927	11.3%	27,568	34,124	56,952	-	\$18.73	\$21.31
Medina	1,487,626	-	55,219	3.7%	13,577	34,685	9,297	51,000	\$18.86	\$18.86
CLEVELAND TOTALS	90,616,898	1,013,117	9,240,459	11.3%	-168,481	-543,487	1,077,308	2,161,454	\$19.74	\$22.02

*Rental rates reflect full service asking *Statistics are based on 10,000 SF+ Multi-Tenant Office Buildings

KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	LEASE TYPE
1500 West 3 rd Street	CBD	Squire Patton Boggs LLP	17,668	Renewal
6001 Euclid Avenue	Midtown	Starting Point	16,307	Direct
6200 Oak Tree Boulevard	Rockside & South	Blue Chip Broadcasting LLC	13,531	Direct
2205 Crocker Road	West	Associates In Dermatology	10,201	Direct

KEY SALES TRANSACTIONS Q3 2023

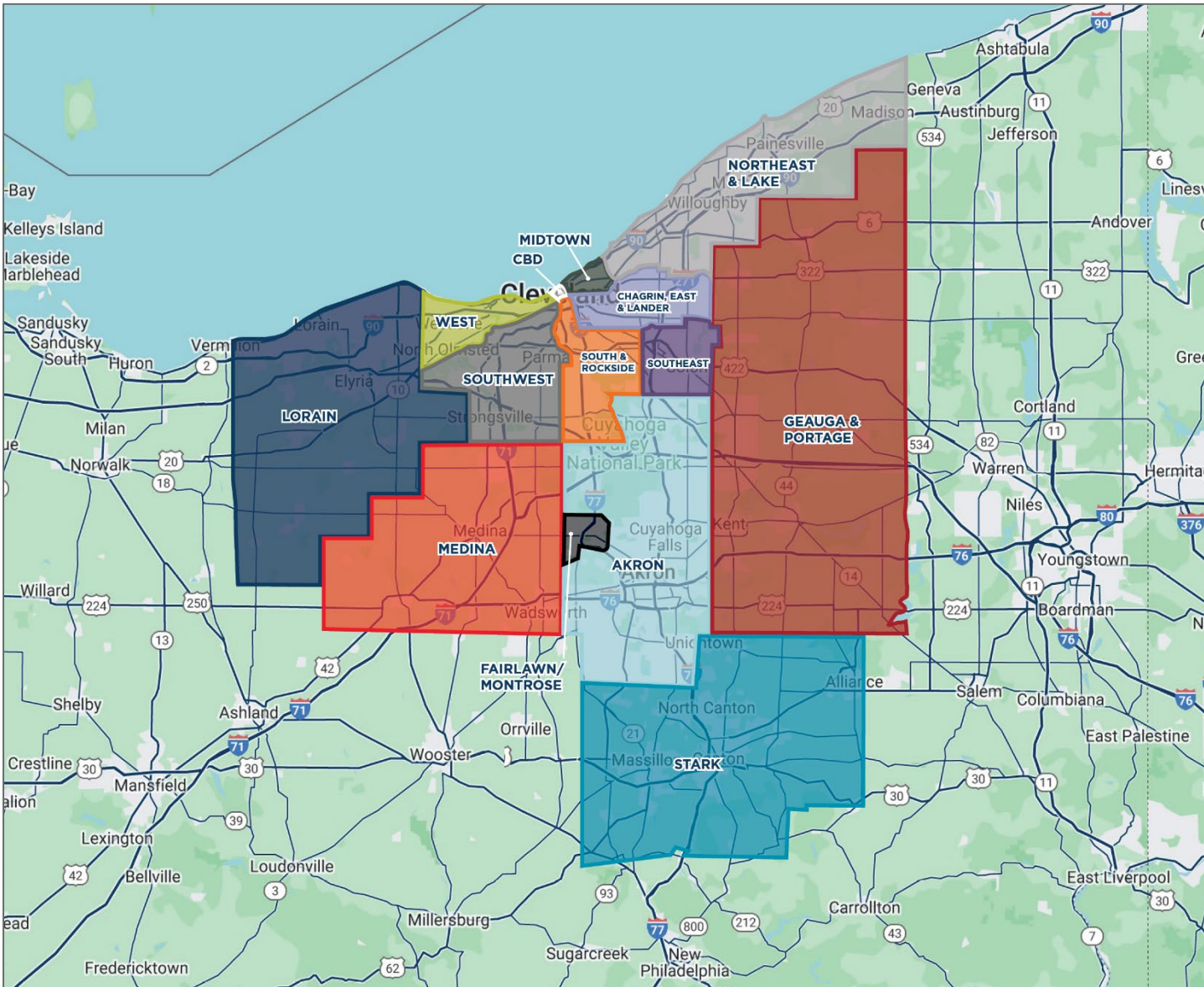
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
28925 Fountain Parkway	Southeast	JPS Acquisitions / CLE Developers, LLC	100,000	\$5.7M / \$57.48 PSF
2111 Chagrin Boulevard	Chagrin, East & Lander	Predictive Service LLC. / 21111 Chagrin Investments LLC	32,083	\$2.8M / \$89.89 PSF
805 Columbia Road	West	AFE, LLC / Community Healthcare Trust, Inc	14,099	\$2.4M / \$172.00 PSF
2824 Woodlawn Avenue	Stark	Pegasus Holdings Ltd / MCKINLEY HOLDINGS LLC LLC	46,132	\$2.4M / \$52.05 PSF

CLEVELAND

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OFFICE SUBMARKETS



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